

**Memorandum**

Date JUN 30 1994  
From June Gibbs Brown  
Inspector General *June Gibbs Brown*  
Subject Review of the Internal Control Structure Over the Accounts Payable Balance for  
the Supplementary Medical Insurance Trust Fund at September 30, 1992  
To (A-04-92-02054)

Bruce C. Vladeck  
Administrator  
Health Care Financing Administration

Attached is our final report entitled, *Review of the Internal Control Structure Over the Accounts Payable Balance for the Supplementary Medical Insurance Trust Fund at September 30, 1992*. The objective of our review was to determine whether the Health Care Financing Administration (HCFA) had an adequate internal control structure, including internal controls and financial management systems, to provide reasonable assurance that Supplementary Medical Insurance (SMI) accounts payable transactions were properly recorded and accounted for in compliance with applicable laws, regulations, and guidelines. Our analysis was also provided in draft to assist HCFA in the preparation of the Fiscal Year (FY) 1993 financial statements.

To perform our analysis, we obtained an understanding of the relevant internal controls and financial management systems that recorded and processed the SMI accounts payable balance at September 30, 1992. Procedures at an additional nine carriers for reporting SMI accounts payable and accumulating financial data were reviewed.

We identified problems with the design and implementation of HCFA's internal control structure and accounting policy used to report SMI accounts payable balances. Specifically, we found that HCFA's financial reporting instructions to the carriers were too general causing accounts payable amounts to be calculated and reported inconsistently. Also, accounting policy issues need to be addressed because certain benefit payment checks and contracted services were improperly included in the accounts payable balance. Additionally, we are suggesting that HCFA change the methodology used to estimate the amount recorded for services incurred by Medicare beneficiaries but not billed at the year-end close by the providers.

We recognize that this was HCFA's first attempt at obtaining accounts payable information from the carriers for purposes of financial statement presentation. During our review, HCFA was also modifying accounts payable recording and reporting procedures. As such, the issues identified in this report were addressed as they prepared the FY 1993 financial statements. The process of meeting the goals and objectives of the Chief Financial Officers Act will be enhanced if our offices continue to work closely on outstanding financial recording and reporting issues.

We recommend that HCFA:

1. improve its internal control structure to achieve consistency, uniformity, and efficiency in the recording and reporting of accounts payable;
2. strengthen its financial reporting directives to carriers for recording and reporting accounts payable data;
3. provide carriers with the necessary training to appropriately record and report accounts payable information through the data call used to obtain financial information;
4. develop the data call into an adequate financial management system to provide for interim financial reporting on a quarterly basis;
5. revise its accounting policy to ensure that contracted services for a subsequent period are not included in the accounts payable balance and disclose in future financial statements that outstanding benefit payment checks are considered an accounts payable, not a disbursement;
6. revise its procedures for estimating provider services incurred but not billed; and
7. perform Federal Managers' Financial Integrity Act section 2 and 4 reviews on all carrier accounts payable internal controls and financial management systems.

In response to our draft report, the HCFA concurred with all but recommendations 5, 6, and 7. The HCFA did not agree that outstanding benefit payment checks should not be included in the accounts payable balance. Based on follow-up discussions with HCFA, we agreed to modify our recommendations

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and that HCFA's future financial statements will disclose in a footnote that the disbursement figure does not include amounts for outstanding contractor checks. Additionally, the HCFA did not agree that their procedures for estimating provider services incurred but not billed need to be revised because they believe the methodology used by the Office of the Actuary to arrive at the estimate is reasonable. The HCFA agreed with the intent of recommendation 7 and identified alternate reviews conducted at contractors that address HCFA's responsibilities in this area. However, we have concerns that the alternative approach may not address carrier accounts payable controls and systems.

Please advise us, within 60 days, on actions taken or planned on our recommendations. If you have any questions, please call me or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits at (410) 966-7104.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF THE  
INTERNAL CONTROL STRUCTURE  
OVER THE ACCOUNTS PAYABLE  
BALANCE FOR THE SUPPLEMENTARY  
MEDICAL INSURANCE TRUST FUND AT  
SEPTEMBER 30, 1992**



**JUNE GIBBS BROWN**  
Inspector General

JUNE 1994  
A-04-92-02054

# SUMMARY

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Federal agencies, including the Health Care Financing Administration (HCFA), have traditionally prepared financial reports to monitor and control obligations and expenditures for budgetary purposes. We believe that HCFA's financial management systems were designed and developed for that reason. However, with the enactment of the Chief Financial Officers (CFO) Act of 1990, the Congress called for the preparation of financial statements that fully disclose a Federal entity's financial position and results of operations. The Office of Management and Budget (OMB) requires financial statements, including balances of accounts payable, to be the result of an accounting system that is an integral part of a total financial management system containing sufficient discipline, effective internal controls, and reliable data.

Similarly, the Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires Federal entities to develop, maintain, and test the adequacy of their internal controls and financial management systems, and to report on any material weaknesses and planned corrective actions. Management's procedures and supporting documentation should be sufficient to provide reasonable assurance that FMFIA and OMB requirements have been met.

The objective of our review was to determine whether HCFA had an adequate internal control structure, including internal controls and financial management systems, to provide reasonable assurance that Supplementary Medical Insurance (SMI) accounts payable transactions were properly recorded and accounted for and in compliance with applicable laws, regulations, and guidelines. Our analysis was also made to assist HCFA in the preparation of Fiscal Year (FY) 1993 financial statements. The HCFA reported \$6.65 billion accounts payable balance in the Statement of Financial Position by Activity at September 30, 1992. In order to accomplish our objective, we obtained an understanding of the relevant internal controls and financial management systems that recorded and processed SMI accounts payable balances by reviewing the policies, procedures, and practices at the HCFA central office and a Medicare carrier. At nine additional carriers, we reviewed the carriers' methods for reporting SMI accounts payable balances.

Our review identified problems in the design and implementation of HCFA's internal control structure and accounting policy used to report SMI accounts payable. These problems need to be addressed for HCFA to report a reliable accounts payable balance and to be in compliance with the CFO Act and the FMFIA. Our review found that HCFA's financial reporting instructions to the carriers were too general causing accounts payable amounts to be calculated and reported inconsistently. We also found accounting policy issues that need to be addressed because certain benefit payment checks and contracted services were improperly included in the accounts payable balance. Additionally, we are concerned that adjustments made to an actuarial estimate were not reasonable to report a reliable accounts payable amount for services incurred by Medicare beneficiaries but not billed at the year-end close by the providers.

We believe these weaknesses could have been identified by management if HCFA performed reviews of carriers' internal control structure as specified by OMB Circulars A-123, *Internal Control Systems*, and A-127, *Financial Management Systems*. However, in lieu of detailed contractor reviews, HCFA relies on quality assurance (QA) programs to monitor the carriers. Our review showed that the QA programs do not adequately monitor the carriers' internal control structure over SMI accounts payable. In addition, the SMI accounts payable balance reported in HCFA's financial statements did not originate from an integrated financial management system.

Accordingly, we recommend that HCFA:

1. improve its internal control structure to achieve consistency, uniformity, and efficiency in the recording and reporting of accounts payable;
2. strengthen its financial reporting directives to carriers for recording and reporting accounts payable data;
3. provide carriers with the necessary training to appropriately record and report accounts payable information through the data call used to obtain financial information;
4. develop the data call into an adequate financial management system to provide for interim financial reporting on a quarterly basis;
5. revise its accounting policy to ensure that contracted services for subsequent period are not included in the accounts payable balance and disclose in future financial statements that outstanding benefit payment checks are considered an accounts payable, not a disbursement;
6. revise its procedures for estimating provider services incurred but not billed; and
7. perform FMFIA section 2 and 4 reviews on all carrier accounts payable internal controls and financial management systems.

In their written comments to our draft report, HCFA concurred with all but recommendations 5, 6, and 7. Based on follow-up discussions, we reached an agreement with HCFA and modified our recommendation pertaining to the reporting of outstanding benefit payment checks. The HCFA did not agree that its procedures for estimating provider services incurred but not billed need to be revised because

they believe the methodology used by the Office of the Actuary (OACT) to arrive at the estimate is reasonable. The HCFA agreed with the intent of recommendation 7, however, we have concerns that the alternative approach may not address carrier accounts payable controls and systems.

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# INTRODUCTION

## BACKGROUND

The Medicare SMI program, authorized by title XVIII of the Social Security Act, pays medical costs for 30.2 million people aged 65 years and older, as well as 3.1 million people with disabilities. The HCFA, within the Department of Health and Human Services (HHS), administers the Medicare SMI trust fund. The SMI trust fund covers physician services, outpatient hospital services, durable medical equipment, and various other health services, such as laboratory tests and diagnostic x-rays. The HCFA is comprised of a central office and 10 regional offices. Private insurance companies are contracted by HCFA to process and pay claims for SMI health services rendered to beneficiaries. The Medicare contractors are called fiscal intermediaries and carriers. According to HCFA, \$52.7 billion was paid for SMI claims and indemnities for fiscal year ended September 30, 1992.

The CFO Act of 1990 subjects all trust and revolving funds, and commercial activities to the annual preparation and audit of financial statements that fully disclose the financial position and results of operations for Federal agencies. The main thrust of the CFO Act is to reform and modernize financial management practices in the Federal Government. As such, the CFO Act requires HCFA to improve its systems of financial management, accounting, and internal controls to ensure the issuance of reliable, timely, and consistent financial information and to deter fraud, waste, and abuse of Government resources. The OMB Bulletin No. 93-02, *Form and Content of Agency Financial Statements* required HCFA to follow the accounting principles, standards, and other requirements prescribed by the HHS *Departmental Accounting Manual* (HHS Accounting Manual). The HHS Accounting Manual incorporates the applicable requirements of the OMB, Department of Treasury (Treasury), General Accounting Office (GAO), and Joint Financial Management Improvement Program (JFMIP).

To comply with the CFO Act, HCFA prepared a Statement of Financial Position by Activity at September 30, 1992 that reported a SMI accounts payable balance of \$6.65 billion (see Table I). The SMI accounts payable data was obtained from the contractors and HCFA to meet the CFO

<u>Part B Accounts Payable</u> (in billions)	
Claims Pending	\$2.27
Incurred Benefits	2.15
Outstanding Checks	1.17
Health Maintenance Organizations	1.02
Excess Recoupments/Other	.03
Demonstration Projects	<u>.01</u>
<b>Total Part B Payables</b>	<b><u>\$6.65</u></b>

Source: Note 7, HCFA's Financial Statements.

Table I: Part B Accounts Payable as of September 30, 1992

Act's reporting requirements. The contractor data was obtained through a special request known as the data call. The data call required contractors to estimate and report to HCFA amounts for accounts payable, including amounts applicable to pending claims, benefits payable, suspended payments, and excess recoupments. The accounts payable information pertaining to incurred benefits, Health Maintenance Organizations (HMO), and demonstration projects was obtained from HCFA central office. The excess recoupments data was obtained from HCFA regional offices.

## **INTERNAL CONTROL STRUCTURE**

The HCFA is responsible for establishing and maintaining an adequate internal control structure, including internal control policies and procedures and financial management systems, to provide complete, reliable, timely, and consistent financial information necessary for efficient program management. To operate effectively, OMB requires that an internal control structure should include control objectives which, if adhered to, will provide management with reasonable assurance that:

- o transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and to maintain accountability over assets;
- o funds, property, and other assets are safeguarded against loss from unauthorized use or disposition;
- o transactions are executed in compliance with laws and regulations; and
- o data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information.

Agency financial management systems, whether automated or manual, must contain internal controls which operate to prevent, detect, and correct errors and irregularities which may occur anywhere in the chain of events from transactions authorization to issuance of reports. Some financial reporting control objectives include determining whether the recorded accounts payable are valid at a given date and whether accounts payable are properly documented, valued, and classified on a timely basis. Accordingly, HCFA has the responsibility to establish control procedures to satisfy control objectives, and to continuously evaluate, improve, and report under FMFIA on internal controls in its programmatic and administrative activities.

To implement the audit provisions of the CFO Act, OMB published Bulletin No. 93-06, *Audit Requirements for Federal Financial Statements*. The OMB Bulletin No. 93-06

requires the Office of Inspector General (OIG) to assess the internal control structure to identify and communicate reportable conditions and material weaknesses. Reportable conditions are significant deficiencies in the design or operation of the internal control structure, which could adversely affect HCFA's ability to meet the above stated objectives. Material weaknesses are reportable conditions in which the internal control structure, including the internal controls and financial management system, does not reduce to a relatively low level the risk that errors or irregularities in amounts material to the financial reports and statements being audited may occur and not be detected in a timely manner by responsible officials.

The OMB Bulletin No. 93-06 also assigns OIG the responsibility to report conditions of HCFA's noncompliance with guidelines for the evaluation and reporting on internal control systems and financial management systems as set forth in OMB Circulars A-123 and A-127. Further, OIG is required to compare material weaknesses and other reportable conditions disclosed through its financial statement audit with those material weaknesses identified in HCFA's FMFIA report.

## **SCOPE**

The objective of our review was to determine whether HCFA had an adequate internal control structure, including internal controls and financial management systems, in place during FY 1992 to provide reasonable assurance that SMI accounts payable transactions were properly recorded, accounted for, and reported in compliance with applicable laws, regulations, and guidelines. Our analysis was also made to assist HCFA in the preparation of FY 1993 financial statements.

In planning and conducting our review, we obtained an understanding of the internal controls and financial management systems in place for Medicare accounts payable by interviewing officials and reviewing documentation. In order to achieve our objective, we reviewed:

- o management's process and financial management systems used by HCFA and Blue Cross Blue Shield of Florida (BCBSF), the Florida carrier, to report their SMI accounts payable at September 30, 1992;
- o both BCBSF's and a judgmental sample of 9 carriers' (10 in total) methodologies for reporting SMI accounts payable to HCFA. We selected carriers with higher dollar volumes of paid claims and attempted to include as many HCFA regions as possible. Eight of 10 HCFA regions were represented in our review;

- o appropriate reports of the OIG and the GAO pertaining to the scope of our review;
- o applicable laws and regulations;<sup>1</sup> GAO guidance;<sup>2</sup> OMB criteria;<sup>3</sup> HHS related accounting principles and standards;<sup>4</sup> HCFA procedures and carrier manuals;
- o HCFA's process to prepare the SMI accounts payable information reported on HCFA's Statement of Financial Position by Activity at September 30, 1992, to ensure the information was properly accounted for, recorded, and reported in accordance with OMB Bulletin No. 93-02; and
- o HCFA's FMFIA and QA programs over the carriers' SMI accounts payable functions.

We also performed limited tests, including observation and inquiry, of policies and procedures we considered significant within HCFA and at BCBSF. We performed our audit in accordance with generally accepted government auditing standards. Our field work was performed during October 1992 through March 1993 at the HCFA central office in Baltimore, Maryland and at BCBSF in Jacksonville, Florida.

During our exit conference HCFA noted that improvements in several areas addressed in this report were being made to FY 1993 reporting and we have incorporated those comments into the report.

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<sup>1</sup> The Social Security Act, as amended; the FMFIA of 1982; and the CFO Act of 1990.

<sup>2</sup> This includes the GAO *Policy and Procedures Manual for Guidance of Federal Agencies*, Title 2, Appendix II (Title 2), that outlines standards for internal controls in the Federal Government.

<sup>3</sup> This includes OMB Circulars A-123, *Internal Control Systems* and A-127, *Financial Management Systems*; and OMB Bulletin 93-06, *Audit Requirements for Federal Financial Statements*.

<sup>4</sup> This includes the HHS Accounting Manual.

# FINDINGS AND RECOMMENDATIONS

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Federal agencies, including HCFA, have traditionally prepared financial reports to monitor and control the obligation and expenditure of budgetary resources. We believe that HCFA's financial management systems were designed and developed for that reason. The focus on fund control has caused HCFA to concentrate primarily on financial management systems that control the budgeting and expenditure of funds. As such, expenses do not flow from carrier operations to the general ledger as they are incurred. To develop accounts payable balances, supplementary information was obtained through a data call from the carriers.

We have identified problems in the internal control procedures and accounting policy used to report accounts payable by HCFA and its carriers. These weaknesses decrease the effectiveness of the accounts payable internal control structure to adequately reduce the risk that significant errors or irregularities may occur and not be detected within a timely period.

The intent of this report is to emphasize HCFA's need to strengthen its internal control procedures over the recording and reporting of accounts payable information. We recognize that this was HCFA's first attempt at obtaining accounts payable information from the carriers and its central office for purposes of financial statement presentation and, we acknowledge, that HCFA is adjusting its procedures to improve its data collection process. As such, we believe that the problems addressed in this report should be reduced in subsequent years as HCFA strengthens its internal control structure related to recording and reporting of accounts payable.

## **INTERNAL CONTROL STRUCTURE NEEDS IMPROVEMENT**

We found that HCFA does not have an adequate internal control structure that provides reasonable assurance that SMI accounts payable transactions were verified and accurately recorded. Our review found that HCFA does not have procedures to perform FMFIA section 2 and

4 reviews of the carriers' accounts payable internal control structure. We believe that many of the weaknesses we noted could have been identified by HCFA management if it had performed reviews of carriers' internal control structure as specified by OMB Circulars A-123 and A-127. In lieu of detailed contractor reviews, HCFA relied on their QA programs to monitor the carriers. Our review has shown that HCFA's QA programs do not adequately monitor the carriers' internal control structure over SMI accounts payable. In addition, the SMI accounts payable balance reported in HCFA's financial statements did not originate from an integrated financial

management system. As a result, HCFA has no assurance that the SMI accounts payable amounts provided by carriers were adequately supported, complete, and consistently reported in the financial statements.

## REVIEW OF INTERNAL CONTROLS

Our review found that HCFA does not have procedures to perform a detailed evaluation of the internal controls in place over the carriers accounts payable function as required by OMB Circular A-123, *Internal Control Systems*. These procedures are necessary to provide reasonable assurance that the objectives of the FMFIA and CFO Act are met.

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The OMB Circular A-123, which implements FMFIA section 2, states that detailed evaluations of a program or administrative activity must be performed to determine whether adequate control procedures exist and are implemented to achieve cost-effective compliance with the FMFIA.

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We found internal control weaknesses over the accounts payable process at BCBSF that, we believe, would have been identified if HCFA had conducted internal control evaluations at the carriers in accordance with OMB guidelines. These weaknesses included instances where segregation of duties, claims processing systems documentation, and systems access controls were inadequate.

For HCFA to be in compliance with OMB Circular A-123 and the FMFIA, they need to conduct reviews of carrier internal controls or require the carriers to evaluate their own internal controls and report deficiencies.

### Internal Control Objectives and Procedures

Our review found that HCFA has not identified carriers' accounts payable function control objectives and procedures. Therefore, HCFA could not test for compliance with financial reporting control requirements at the carriers.

Although OMB guidelines exist, we found that HCFA had not identified carrier internal control objectives and procedures for accounts payable. We believe that the absence of internal control objectives and procedures to value and report SMI accounts payable affected the consistency

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The first step in order to perform an internal control evaluation, as required by OMB Circular A-123, is to identify internal control objectives and techniques (procedures) for agency programs and administrative activities. Internal control objectives are the goals to which agency accounting and financial reporting are directed. Internal control objectives are derived directly from legal and regulatory requirements and the needs of intended users. Internal control procedures are the management processes and documents necessary to accomplish an internal control objective.

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and reliability of the financial statements data. Without adequate guidelines to follow, the carriers developed their own valuation methodologies. Therefore, HCFA received inconsistently valued data in reply to their request for carrier information.

Until HCFA identifies control objectives and procedures applicable to the accounts payable function, and conducts appropriate tests for compliance with the controls, the agency cannot be confident that the carriers have adequate internal controls.

## QA PROGRAMS

We identified seven QA programs<sup>5</sup> that HCFA used during FY 1992 to evaluate their internal controls related to SMI claims processing activities. Our review has shown that these QA programs did not adequately address SMI accounts payable financial reporting control objectives and is not a surrogate for FMFIA.

The OMB<sup>6</sup> requires the head of each agency to establish, maintain, and evaluate systems of internal controls that include the identification of control objectives and control procedures. Financial reporting controls are designed to prevent or detect aggregate misstatements in significant financial statement assertions and are categorized as either transaction or account related.<sup>7</sup>

Our review found that the QA programs did not adequately address SMI accounts payable because none of the seven QA programs evaluated account related control objectives and only three of these programs<sup>8</sup> evaluated portions of the transaction related financial reporting control objectives. We also found that the QA programs did not select samples from the transactions point of entry into the accounts payable process or follow the transactions to their summarization in the accounting records.

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<sup>5</sup> The seven QA programs used to monitor and evaluate the carriers functions for FY 1992 were (1) the 1992 Part B Carrier Quality Assurance Program (CQAP), (2) the Contractor Systems Testing Project (CSTP), (3) the Contractor Performance Evaluation Program - Part B, (4) Limiting Charge - Explanation of Medicare Benefits Form, (5) Limiting Charge - Inquiries, (6) Limiting Charge Exception Reports, and (7) the 1992 Reasonable Charge Screens Automated Edits (RCSAE).

<sup>6</sup> OMB Bulletin 93-06, *Audit Requirements for Federal Financial Statements* and OMB Circular A-123, *Internal Control Systems*.

<sup>7</sup> Transaction related control objectives follow a transaction from its initial point of entry into a system through summarization in a line item or account balance. Account related control objectives examine the balance in an account and follow the flow of transactions back to the initial point of entry into the system. Some financial reporting control objectives include determining whether recorded assets and liabilities exist at a given date and whether assets and liabilities included in the financial statements are valued on the appropriate bases.

<sup>8</sup> The three QA programs are the 1992 Part B CQAP, CSTP, and 1992 RCSAE.

The three QA programs addressed the following control objectives:

- o Transactions are recorded at the correct amounts;
- o Recorded transactions, underlying events, and related processing procedures are authorized by Federal laws, regulations, and management policy; and
- o Recorded transactions are approved by appropriate individuals in accordance with management's general or specific criteria.

We do not believe that the HCFA QA programs were an adequate substitute for internal control and financial management system reviews required under FMFIA. As a result, the QA programs could not be relied on to provide reasonable assurance that problems and weaknesses in financial reporting controls applicable to SMI accounts payable would be identified.

## **FINANCIAL MANAGEMENT SYSTEMS**

Our review found that the balance of accounts payable as reported in HCFA's financial statements did not originate from an integrated financial management system. In addition, BCBSF and HCFA have not conducted any FMFIA reviews of the carriers' financial management systems, including the accounts payable system. The HCFA relied on the carriers to provide an integral part of the accounts payable information. Of the \$6.65 billion reported in the Statement of Financial Position by Activity for SMI accounts payable, \$1.55 billion, or 23.3 percent, was reported by carriers.

The OMB Circular A-127, *Financial Management Systems*, which implements FMFIA section 4, requires agencies to establish and maintain financial management systems which provide for:

- o complete disclosure of the financial results of the activities of the agency;
- o adequate financial information for agency management and for formulation and execution of the budget;
- o effective control over revenues, expenditures, funds, property, and other assets and liabilities; and
- o an annual review and reporting to the President and Congress on whether the agency's system complies with principles and standards developed by the Comptroller General and implemented through OMB guidelines.

Additionally, the JFMIP's *Core Financial System Requirements (CORE)* establishes minimum standards that must be met by all financial systems in the Federal Government. Among other stipulations, the JFMIP CORE states that the accounts payable function should record, track, and control all transactions to others.

Our review showed that the carriers did not have in place financial management systems to routinely record and report payable information. Although the carriers appear to have some control procedures related to accounts payable, we found that they do not have financial management systems established to routinely record and report accounts payable. Prior to the HCFA data call, carriers had not been required to report all accounts payable information to HCFA. Consequently, the carriers apparently did not develop their own financial management systems to record and report accounts payable.

Our review indicated that the carrier information was not based on financial management systems designed to record and report accounts payable data. For example, the majority of \$129.7 million reported by BCBSF was based on multiplying the inventory of unprocessed claims from their claims processing system by an average amount paid per claim calculated from claims paid during FY 1992. This was necessary because the carrier did not have an accounting system with the necessary procedures to record and report accounts payable. The carrier apparently was not required to establish such records or financial systems.

Our inquiries of nine other carriers showed that each developed their own estimation methodologies that included some erroneous amounts to comply with HCFA's request for accounts payable data. Similar to BCBSF, none of these carriers had sufficient financial records available to provide accounts payable information. As a result, the carriers had to use estimation procedures, along with data available, to respond to HCFA's request.

Had HCFA performed section 4 reviews prior to the data call, HCFA could have identified the lack of an integrated financial management system and could have taken corrective action. This would have resulted in a more reliable and accurate accounts payable figure.

Due to the requirements of the CFO Act to prepare financial statements, HCFA needs to provide reasonable assurance that information processed by its information systems is reliable and properly safeguarded. Such assurance can only be achieved if detailed evaluations of HCFA's financial management systems are performed and problems are corrected. Until the required reviews are conducted on all significant carrier systems used to process and report accounts payable data, we do not believe that HCFA can provide reasonable assurance that the objectives of the FMFIA

and CFO Act were met. More specifically, HCFA has no assurance that amounts reported for accounts payable by carriers represent a reasonable estimate of the SMI trust fund's liability at FY end 1992.

## REPORTING AND ACCOUNTING ISSUES

We found that improvements are needed in reporting controls and accounting of the SMI accounts payable information contained in financial statements. Our review found that HCFA's financial reporting instructions to the

carriers were too general causing accounts payable amounts to be calculated and reported inconsistently. We also found that certain accounting policy issues need to be revised to ensure that a reliable estimate of the SMI trust fund liability. For example, we found that certain benefit payment checks and contracted services were improperly included in the accounts payable balance. Additionally, we are concerned that adjustments made to an actuarial estimate were not reasonable to report a reliable accounts payable amount for services incurred but not billed. As a result, the amount reported as the SMI accounts payable amount on the financial statements did not represent a reliable estimate of the SMI trust fund liability at September 30, 1992.

### CARRIERS' REPORTING CONTROLS NEED IMPROVEMENT

We found that the instructions to carriers to accumulate accounts payable balances were too general and caused inconsistent reporting of account balances. The HCFA issued instructions because carriers did not have financial management systems to accumulate and report accounts payable. As a result, the amount reported as SMI accounts payable in the HCFA financial statements could be materially misstated.

As an example, the carriers reported \$1.55 billion for accounts payable, of which \$1.23 billion represented pending claims and benefits payable. The HCFA

instructed carriers to calculate these items by establishing a *payment value* for each category. However, the HCFA instructions did not explain how to calculate the *payment value*. Consequently, carriers developed their own methodology and utilized different payment values in reporting to HCFA.

The OMB Circular A-127 requires that financial management systems be established that generate data that is useful, reliable, complete, comparable, and consistent.

The OMB Bulletin No. 93-02 requires financial statements be the culmination of a systematic accounting process. The statements shall result from an accounting system that is an integral part of a total financial management system containing sufficient discipline, effective internal controls, and reliable data.

Six of the carriers we contacted calculated a pending claims amount by multiplying their pending claims ending inventory by an average paid amount per claim. Three carriers used an average billed amount per claim as a *payment value*. Another carrier calculated the amount reported to HCFA by first determining the allowed amount of all pending claims at September 30, 1992. This amount was then multiplied by 80 percent to allow for the customary SMI copayment.

To calculate benefits payable, one carrier reported the actual amount while the nine remaining carriers used three different methods. Benefits payable represents claims on the payment floor. Claims on the payment floor have been completely adjudicated and the amounts to be paid are known. In estimating benefits payable, six carriers calculated an average paid amount per claim and two an average billed amount. These were then multiplied by the ending inventory of claims on the payment floor at September 30, 1992. Another carrier calculated the amount reported to HCFA by determining the allowed amount of all claims on the payment floor at fiscal year end and multiplying that total by 80 percent.

The procedures employed by the carriers to implement the data call instructions did not result in financial management data being reported consistently throughout HCFA. We believe that, as a result of the data call instructions being too general and not providing uniform methodologies for computing certain accounts payable items, the amounts reported by the carriers under the data call did not provide a reasonable estimate of the SMI trust fund's accounts payable liability at September 30, 1992.

## ACCOUNTING POLICY ISSUES

We identified the following accounting policy issues that need to be revised to ensure that a reliable estimate of the SMI trust fund liability is reported.

### Outstanding Checks Included in Accounts Payable

The amount HCFA reported as the SMI accounts payable balance included outstanding Medicare benefit checks totaling \$1.17 billion (17.6 percent of the \$6.65 billion SMI accounts payable amount reported). Because the outstanding checks were issued, they represented benefits paid. We believe the payments were no longer an accounts payable,

as defined by the HHS Accounting Manual, as the service to the beneficiary was not only provided and payment authorized, but a check was issued to the provider. As a

The HHS Accounting Manual states that an accounts payable occurs and should be recorded when amounts owed for goods and services are received, but not yet earned.

result, the accounts payable amount reported for the SMI trust fund was overstated by about \$1.17 billion and the fund balance was understated by the same amount.

Outstanding checks were reported as an accounts payable because HCFA records cash disbursements from Treasury documents that report checks that have cleared the carriers' commercial banks, rather than when the benefit payment checks are issued.

#### HMOs' Services Not Received Included in Accounts Payable

Our review found that HCFA reported as part of its SMI accounts payable balance an estimate for \$1.02 billion for amounts due HMOs for contracted services to be received in FY 1993. Because these services will not to be received until FY 1993, they do not represent an accounts payable as defined by the HHS Accounting Manual. As a result, the SMI accounts payable balance was overstated by \$1.02 billion, or 15.3 percent of the \$6.65 billion reported for SMI accounts payable. In addition, any adjustment to accounts payable would also affect expenses.

Officials at HCFA stated that this issue is complex and that several options on how to report this account were discussed. We were also informed that HCFA did not plan to include this account in their FY 1993 accounts payable balance.

#### Estimate of Provider Services Rendered But Not Billed

Included in the SMI accounts payable balance was an actuarial estimate of \$2.15 billion for provider services rendered but not billed the contractor at September 30, 1992. To calculate this amount, HCFA used an actuarial estimate of the value of SMI services provided but not paid at September 30, 1992. The estimate included the value of claims processed and approved through the Common Working File and awaiting payment. In order to adjust the estimate to reflect only the value of services provided but not billed, the totals of outstanding checks and claims pending were subtracted from the actuarial estimate.

We have concerns that modifying an actuarial estimate for a purpose that it was not intended, impacts the integrity and reliability of the estimate. In order to ensure that a reliable estimate of the liability for services provided but not billed is included in the financial statements, HCFA should develop a methodology for such services. The HCFA officials informed us that such an actuarial estimate could be derived.

## **CONCLUSIONS AND RECOMMENDATIONS**

Our review found problems in the design and implementation in HCFA's internal control structure to report SMI accounts payable. We also identified accounting policy issues that need to be

revised. These problems need to be addressed for HCFA to report a reliable accounts payable balance and to be in compliance with the CFO Act.

As a result, the amount reported as the SMI accounts payable amount on the financial statements did not represent a reasonable estimate of the SMI trust fund liability at September 30, 1992 and HCFA had no assurance that the SMI accounts payable amounts provided by carriers were adequately supported, complete, and consistently reported in the financial statements.

We recognize that this was HCFA's first attempt at obtaining accounts payable information from the carriers for purposes of financial statement presentation. The HCFA is currently modifying accounts payable recording and reporting procedures. As such, the issues identified in this report should be addressed as they prepare FY 1993 financial statements. The process of meeting the goals and objectives of the CFO Act will be enhanced if our offices continue to work closely on outstanding financial recording and reporting issues. Based on our results, we recommend that HCFA:

1. Improve its internal control structure to achieve consistency, uniformity, and efficiency in the recording and reporting of accounts payable.
2. Strengthen its financial reporting directives to carriers for recording and reporting accounts payable data. As such, HCFA should consider the types of problems disclosed through our review when developing subsequent data call instructions.
3. Provide carriers with the necessary training to appropriately record and report accounts payable information through the data call used to obtain financial information.
4. Develop the data call into an adequate financial management system to provide for interim financial reporting on a quarterly basis. This would enable HCFA to maintain an ongoing accounts payable balance to facilitate reporting year-end balances as well as provide management with current financial statement information.

5. Revise its accounting policy to ensure that contracted services for a subsequent period are not included in the accounts payable balance and to disclose that outstanding benefit payment checks are considered an accounts payable, not a disbursement.
6. Revise its procedures for estimating provider services incurred but not billed.
7. Perform FMFIA section 2 and 4 reviews on all carrier accounts payable internal controls and financial management systems.

### **HCFA COMMENTS AND OIG RESPONSES**

In their written response to our draft report, HCFA agreed with all but three of our recommendations. In addition, HCFA provided a technical comment regarding their concerns relative to the implications our report gives on the issue of HCFA's QA programs. Accordingly, the following paragraphs include a synopsis of HCFA's comment and our response pertaining to the areas of disagreement.

#### **Recommendation 5**

The HCFA should revise its accounting policy to ensure that contracted services for a subsequent period are not included in the accounts payable balance and to disclose in future financial statements that outstanding benefit payment checks are considered an accounts payable, not a disbursement.

#### **HCFA Comments**

The HCFA agreed with that portion of the recommendation pertaining to contracted services for a subsequent period should not be included in the accounts payable balance and, therefore, HCFA will not include this as a payable in the future. The HCFA did not address the portion of the recommendation pertaining to outstanding benefit payment checks. In subsequent discussions, OIG and HCFA have reached agreement on this issue.

## **OIG Response**

In subsequent discussions, we reached a tentative agreement with HCFA and modified our recommendation pertaining to the reporting of outstanding benefit payment checks. The HCFA plans to footnote future financial statements to disclose that the disbursement figure does not include amounts for outstanding benefit payment checks and will cross-reference the footnote to the accounts payable line item. We plan to research this issue to ensure that it is consistent with generally accepted accounting principles.

## **Recommendation 6**

The HCFA should revise its procedures for estimating provider services incurred but not billed.

## **HCFA Comments**

The HCFA did not agree with this recommendation. The HCFA believes the methodology used by the OACT is reasonable and the OIG has not proven it is inaccurate. The OACT estimate is reduced by checks written by the contractors in payment of claims not yet outlaid from the trust funds, and claims pending payment at the contractor location. Although HCFA believes these estimates are sound, they would be receptive to discuss specific ideas for revising the estimate.

## **OIG Response**

There appears to be some confusion on this recommendation. Our concern was that any modification of the OACT estimate for a purpose for which it was not intended, would impact the estimate's integrity and reliability. We still have this concern. In subsequent discussions with HCFA officials, HCFA decided for its FY 1993 financial statements not to separately disclose from its OACT estimate benefit checks written by the contractors that have not cleared through the trust fund and claims pending amounts.

## **Recommendation 7**

The HCFA should perform FMFIA section 2 and 4 reviews on all carrier accounts payable internal controls and financial management systems.

### **HCFA Comments**

The HCFA agreed with the intent of our final recommendation to perform FMFIA section 2 and 4 reviews. However, HCFA noted that alternative reviews are being documented that address HCFA's responsibilities in this area, such as common working file transaction tests conducted by contractors and other systems tests conducted by the contractors.

### **OIG Response**

The HCFA has modified its approach in this area by identifying alternative reviews conducted at the contractors. This approach seems to be a reasonable first step. However, the carriers' accounts payable area doesn't appear to be specifically addressed by these alternative reviews. Therefore, we continue to have concerns on the adequacy of reviews of carriers' internal control and financial management systems.

## **Technical Comments**

### **HCFA Comments**

The report provides technical comments on seven QA reviews and makes conclusions about all seven, which HCFA feels is somewhat misleading. The report implies that all seven QA programs should include review of transaction related control objectives, when in fact, by design only three include such activity. The OIG should modify this discussion to address only those QA reviews which are intended to assess transaction related control objectives. The HCFA believes the QA programs adequately review these control objectives.

## **OIG Response**

We reported that HCFA used seven QA programs during FY 1992 to evaluate internal controls related to claims processing. None of the seven evaluated account related control objectives and only three QA programs evaluated, to a limited extent, transaction related financial reporting control objectives. As a result, HCFA could not rely on the QA programs to identify problems and weaknesses in financial reporting internal controls applicable to accounts payable. We do not believe that these facts were misleading and, therefore, support our conclusion and recommendation.

# APPENDIX



# Memorandum

Date **MAR 8 1994**

From **Bruce C. Vladeck** *Bruce Vladeck*  
Administrator

Subject **Office of Inspector General (OIG) Draft Reports: Review of the Internal Control Structure Over the Accounts Payable Balance for the Hospital Insurance Trust Fund at September 30, 1992 (A-05-92-00106) and Review of the Internal Control Structure Over the Accounts Payable Balance for the Supplementary Medical Insurance Trust Fund at September 30, 1992 (A-04-92-02054)**

To

June Gibbs Brown  
Inspector General

We reviewed the above-referenced draft reports which examined whether the Health Care Financing Administration (HCFA) had an adequate internal control structure, including internal controls and financial management systems, to provide reasonable assurance that Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) accounts payable transactions were properly recorded and accounted for in compliance with applicable laws, regulations, and guidelines. The first attachment provides our responses to the recommendations in the HI trust fund report, and the second provides our response to the recommendations in the SMI report.

Many of OIG's recommendations contained in these reports will be moot in future years since HCFA will be changing its method of reporting payables. It should be noted that the new method has been discussed with OIG, and we have obtained OIG's concurrence.

Thank you for the opportunity to review and comment on these draft reports. Please advise us if you agree with our position on the report's recommendations at your earliest convenience.

### Attachments

IG	_____
SAIG	_____✓_____
PDIG	_____
DIG-AS	_____✓_____
DIG-EI	_____
DIG-OI	_____
AIG-MP	_____
OGC/IG	_____
EXSEC	_____✓_____
DATE SENT	<u>3-10</u>

Comments of the Health Care Financing Administration (HCFA)  
on Office of Inspector General (OIG) Draft Report:  
Review of the Internal Control Structure Over the Accounts  
Payable Balance for the Hospital Insurance Trust Fund  
at September 30, 1992  
(A-05-92-00106)

Recommendation 1

HCFA should improve its internal control structure to achieve consistency, uniformity, and efficiency in the recording and reporting of accounts payable.

HCFA Response

We agree that we should look for ways to strengthen our existing internal control structure. We believe we are taking the necessary actions to implement this recommendation. HCFA worked diligently with the Medicare contractors during fiscal year (FY) 1993 to strengthen Contractor Financial Reports (data call) reporting. Substantial progress was made, despite the fact that we did not receive any additional resources to implement the Chief Financial Officers (CFO) Act. We believe that the processes implemented to date provide reasonable assurance that the data reported by the contractors are correct.

Additionally, several work groups, which include members from OIG, are charged with ensuring that the new Medicare Transaction System (MTS) which is now in the development stage, as well as financial activities outside the MTS, will have adequate internal controls. We are confident that the OIG staff on these work groups will provide valuable insight on how the MTS can be developed to ensure that its objectives, such as the accurate recording of accounts payable, are attained.

Recommendation 2

HCFA should strengthen its financial reporting directives to fiscal intermediaries (FIs) for recording and reporting accounts payable data. HCFA should consider the types of problems disclosed through OIG's review when developing subsequent data call instructions.

HCFA Response

We concur. We are constantly working to improve our operations, including the improvement of financial reporting. Strengthening data call instructions and providing feedback to contractors will help ensure accurate financial reporting in all categories, in addition to accounts payable. As discussed in more detail below, we have taken a number of actions to educate contractors on financial reporting since the June 30, 1993, data call.

As OIG noted, the data call for FY 1992 was introduced to the Medicare contractors for the first time as a method to obtain accounts payable and other accrual data from Medicare contractors. Although FY 1992 instructions were not issued until the end of the FY and were not very detailed, we are pleased to note that the results of testing done by OIG did not identify serious reporting problems with respect to accounts payable.

The data call process was enhanced in FY 1993 with the formation of a CFO work group, consisting of staff from HCFA's Division of Accounting, Bureau of Program Operations, regional offices, and Medicare contractors to improve data call instructions and line item definitions. One goal of the work group was to produce consistent and accurate reporting of accounts payable on the annual financial statements.

Recommendation 3

HCFA should provide its Medicare FIs with the necessary training to appropriately record and report accounts payable information through the data call.

HCFA Response

We concur and have taken steps to implement the recommendation. Since the June 30, 1993, data call test run, HCFA staff reviewed the submitted data and communicated common errors and edit checks to other financial reports to all contractors. Each contractor was called to discuss their individual data call submission and to stress the importance of adhering to the protocols developed by the work group. In these discussions, the contractors' individual questions were answered regarding their submitted data. Final instructions, definitions, and a checklist to aid in completion of the September 30, 1993, data call were sent to the contractors in September 1993.

We reviewed the final September 30, 1993, data call submissions and provided feedback to the contractors via a letter identifying specific problems or requesting additional clarification of data reported. We provided the contractors with HCFA contacts for assistance.

Additionally, all shared systems maintainers were invited to be part of the existing CFO work group. The discussions and results of the work group will be shared with the contractors they service. We plan to have an ongoing contractor education process.

#### Recommendation 4

HCFA should develop the data call into an adequate financial management system to provide for interim financial reporting on a quarterly basis. This would enable HCFA to maintain an ongoing accounts payable balance to facilitate reporting year-end balances as well as provide management with current financial statement information.

#### HCFA Response

We agree. The data call was always intended to be a quarterly report, and has been since the June 30, 1993, data call. During the first two quarters of FY 1993, improvements were being made to the definitions and instructions, and contractors were not required to report.

The submission of these quarterly reports is essential to enable HCFA to reconcile the information reported by contractors on a quarterly rather than yearly basis to allow for more timely correction of data when necessary.

#### Recommendation 5

HCFA should revise its accounting policy to ensure that PRO adjustments are included in the accounts payable balance.

#### HCFA Response

We concur. Peer Review Organization (PRO) activity is reported on the data call in three line items:

1. Prepayment--Those claims that have not been processed by the contractor are treated as accounts payable just as other unprocessed claims are treated. A protocol is provided for estimating a value.

2. Postpayment--Those claims that have been paid and are returned by the PRO to the contractor for processing. A receivable value has not yet been determined. A protocol is provided for estimating a value.
3. Adjustment bills as a result of the procedure in item 2--Actual accounts payable or accounts receivable values (netted) are reported in the appropriate section of the financial statement.

We agree that PRO adjustments should be shown on the financial statements. OIG's report indicates they will be shown on the FY 1993 financial statements. However, our experience indicates that PRO adjustments generally result in an account receivable and not an account payable. Therefore, in cases where a PRO adjustment is outstanding, we instructed intermediaries to report them as an account receivable. We believe this instruction is appropriate and so notified OIG.

#### Recommendation 6

HCFA should revise its accounting policy to ensure that outstanding benefit payment checks and contracted services for a subsequent period are not included in the accounts payable balance.

#### HCFA Response

We do not concur with the part of the recommendation that HCFA should revise accounting policy to ensure that outstanding benefit payment checks are not included in the accounts payable balance. HCFA's responsibility is to prepare a financial statement that discloses the financial position of the Medicare trust funds. The trust funds are not outlayed when checks are issued by the contractors. Funds are outlayed when the check is actually cashed. This is the Letter of Credit method of reimbursement to Medicare contractors. HCFA will continue to record checks that have not yet been cashed or disbursed from the trust funds as an accounts payable. This is the same issue we discussed in the FY 1991 audit reports. The General Accounting Office (GAO) agrees with HCFA's approach. In subsequent discussions, OIG and HCFA have reached agreement on this issue.

We agree with that portion of the recommendation that HCFA should revise accounting policy to ensure that contracted services for a subsequent period are not included in the accounts payable balance.

However, we do not agree with the characterization of contracted services as "services provided." This is an example of an accounting policy issue that is more complex than described in the report. The issue does not relate to "services provided," but rather concerns the reporting of payables relating to Health Maintenance Organization (HMO) risk contracts. Amounts are paid to the HMOs whether services are provided or not. Since the signed contracts crossed FYs, we accrued the estimated payments as of September 30, 1993, for the remaining life of the contracts. Although a grey area, this seemed to be a proper interpretation of the accrual concept of accounting and is similar to the accounting treatment relating to other unexpended contracts.

We would like to point out that the payable was recorded the same way in both FY 1991 and FY 1992. When OIG reviewed FY 1991 reports, the inclusion of the risk contracts as payables was not questioned. Prior to the preparation of the FY 1992 statement, HCFA initiated discussions of the issue with GAO and invited OIG to attend the meeting. As a result of the meeting, it was agreed that this was a grey area. Therefore, we decided not to include this as a payable in FY 1993. We continue to encourage OIG to reflect HCFA's efforts to arrive at a proper accounting treatment of this issue.

#### Recommendation 7

HCFA should revise its procedures for estimating provider services incurred but not billed.

#### HCFA Response

We do not concur. We believe the methodology used by the Office of the Actuary (OACT) to arrive at this amount is reasonable and provides an accurate estimate. OIG has not proven that it is inaccurate.

Provider services incurred but not yet billed is a payable for services incurred but not yet outlaid from the trust funds. The SMI estimate is based on a methodology OACT performs to determine the premium rate needed to fund SMI expenses. The HI estimate is from HCFA's Midsession Review of the FY 1992 budget. Both estimates are projected through September 30, 1993. HCFA reduces these estimates by checks written by the contractors in payment of claims and not yet outlaid from the trust funds, and claims pending payment at the contractor location. While we believe these estimates are sound, we would be happy to discuss specific ideas for revising the estimate.

Recommendation 8

HCFA should perform FMFIA section 2 and 4 reviews on all FI accounts payable internal controls and financial management systems.

HCFA Response

We agree with the intent of this recommendation. As OIG is aware, alternative reviews are being documented that address HCFA's responsibilities in this area, such as common working file transaction tests conducted by contractors and other systems tests conducted by the contractors.

Technical Comments

The discussion of HCFA Quality Assurance (QA) programs leaves the impression that all of the QA programs are intended to address accounts payable control objectives. OIG contends that HCFA's QA programs inadequately address accounts payable. OIG also states that financial reporting controls are categorized as either transaction or account related, and that the QA programs do not adequately address either category.

In the SMI report, OIG included QA reviews on the Limiting Charge line item on the Explanation of Medicare Benefits Form, Limiting Charge Inquiries, the Limiting Charge Exception Reports, and the Part B Contractor Performance Evaluation Program (CPEP). In the HI report, OIG included QA reviews on the Common Working File Host Performance Evaluation Program, the Regional Home Health Intermediary Performance Evaluation Program, and the Part A CPEP. These particular QA reviews are not intended to review any aspect of accounts payable.

We believe that it is not applicable and somewhat misleading for OIG to include QA reviews not intended to cover transaction-related control objectives in its calculation of the number of reviews that do not cover the control objectives. For example, on page 7 of the SMI report, OIG states that only three of the QA programs evaluated portions of the transaction related objectives. While this statement is technically correct, it implies that of seven QA reviews which should include review of transaction related control objectives, only three include such activity. In fact, all of the reviews that are intended to cover transaction related control objectives do so.

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The same comment applies to pages 8-9 and footnote 6 of the HI report. We suggest that OIG modify this discussion to address only those QA reviews which are in fact intended to assess certain portions of accounts payable control objectives.

We believe the QA programs adequately review the transaction related control objectives.

Comments of the Health Care Financing Administration (HCFA)  
on Office of Inspector General (OIG) Draft Report:  
Review of the Internal Control Structure Over the Accounts Payable  
Balance for the Supplementary Medical Insurance Trust Fund  
at September 30, 1992  
(A-04-92-02054)

Recommendation 1

HCFA should improve its internal control structure to achieve consistency, uniformity, and efficiency in the recording and reporting of accounts payable.

HCFA Response

See response to recommendation one in attachment one.

Recommendation 2

HCFA should strengthen its financial reporting directives to FIs for recording and reporting accounts payable data. HCFA should consider the types of problems disclosed through OIG's review when developing subsequent data call instructions.

HCFA Response

See response to recommendation two in attachment one.

Recommendation 3

HCFA should provide carriers with the necessary training to appropriately record and report accounts payable information through the data call used to obtain financial information.

HCFA Response

See response to recommendation three in attachment one.

Recommendation 4

HCFA should develop the data call into an adequate financial management system to provide for interim financial reporting on a quarterly basis. This would enable HCFA to maintain an ongoing accounts payable balance to facilitate reporting year-end balances as well as provide management with current financial statement information.

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HCFA Response

See response to recommendation four in attachment one.

Recommendation 5

HCFA should revise its accounting policy to ensure that outstanding benefit payment checks and contracted services are not included in the accounts payable balance.

HCFA Response

We concur. Our most recent instructions for the September 30, 1993, data call emphasize the need for proper cutoffs for accounts payable.

Recommendation 6

HCFA should revise its procedures for estimating provider services incurred but not billed.

HCFA Response

See response for recommendation seven in attachment one.

Recommendation 7

HCFA should perform FMFIA section 2 and 4 reviews on all FI accounts payable internal controls and financial management systems.

HCFA Response

See response to recommendation eight in attachment one.

Technical Comments

See technical comments in attachment one. The technical comments address the quality assurance discussion in OIG's report and apply to pages 7-8 and footnote 5 of the Supplementary Medical Insurance report.